August 20, 2014
Devens, MA

Ground-breaking?
Regulatory & Legislative Update

Presentation to:
NGA Sales & Marketing Seminar

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Northeast Gas Association (NGA)
NGA’S ANTITRUST COMPLIANCE PROCEDURES

Adopted by the NGA Board of Directors on June 4, 2003

Objective
The Northeast Gas Association (NGA) and its member companies are committed to full compliance with all laws and regulations, and to maintaining the highest ethical standards in the way we conduct our operations and activities. Our commitment includes strict compliance with federal and state antitrust laws, which are designed to protect this country’s free competitive economy.

Responsibility for Antitrust Compliance
Compliance with the antitrust laws is a serious business. Antitrust violations may result in heavy fines for corporations, and in fines and even imprisonment for individuals. While NGA’s attorneys provide guidance on antitrust matters, you bear the ultimate responsibility for assuring that your actions and the actions of any of those under your direction comply with the antitrust laws.

Antitrust Guidelines
In all NGA operations and activities, you must avoid any discussions or conduct that might violate the antitrust laws or even raise an appearance of impropriety. The following guidelines will help you do that:

- Do consult counsel about any documents that touch on sensitive antitrust subjects such as pricing, market allocations, refusals to deal with any company, and the like.

Continued on NGA web site...

http://www.northeastgas.org/about-nga/antitrust-guidelines
Topics

- Recent Natural Gas Legislation in Massachusetts
- New England Governors’ Infrastructure Initiative: Update
- Also on the Horizon (briefly)
CT: LDCs filed expansion plans with PURA.

RI: System replacement program.

VT: Addison-Rutland Project system expansion.

ME: Legislature approved pipeline investments legislation.

NH: Several "offsystem" delivery projects.

NJ: "energy strong" investments.

NY: PSC’s gas expansion proceeding underway.
MA Legislation on “Natural Gas Leaks”

H 4164, approved unanimously by state House and Senate, and signed by the Governor in June 2014

Photo: Office of Governor Patrick
Main Components

- Standardizing leak classification among all state’s gas LDCs
- Establishing process for “accelerated infrastructure replacement”
- Encouraging utility proposals for increasing “the availability of natural gas service” in the Commonwealth
Section 2, Section 145 (b):

“a gas company may file with the department a plan to address aging or leaking natural gas infrastructure within the commonwealth in the interest of public safety and reducing lost and unaccounted for natural gas through a reduction in natural gas system leaks.”
Higher “Leak-Prone” System Percentage, Northeast States

The Northeast states have generally older pipeline systems than the national average. The U.S. average for “leak-prone” materials is 5%.

Data shown is for distribution mains.

<table>
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<th>State</th>
<th>Bare Steel, %</th>
<th>Cast / Wrought Iron, %</th>
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</tr>
<tr>
<td>VT</td>
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</tr>
</tbody>
</table>

Source: PHMSA, 2014 – data is 2013

25%
Provisions

• Gas company can file a replacement plan on or before Oct. 31 for subsequent construction year.

• DPU shall review within 6 months. If utility plan is in compliance, DPU shall issue preliminary acceptance of the plan.

• A gas company “shall then be permitted to begin recovery of the estimated costs of projects included in the plan beginning on May 1…and collect any revenue requirements…”

• Provides regulatory certainty for utilities, more timely recovery on capital investments, and ability to establish construction year and line up workers/contractors.
Section 3:

“On or before January 1, 2015, the department of public utilities shall authorize gas companies, as defined in section 1 of chapter 164 of the General Laws, to design and offer programs to customers which increase the availability, affordability and feasibility of natural gas service for new customers.”
Section 3 (b):

“Gas companies may petition the department independently or in coordination with the department of energy resources to approve: (i) financing programs for customer natural gas conversion costs repaid on participating customer bills; (ii) other financing programs developed by a gas company; or (iii) other cost-effective programs that reasonably accelerate the expansion of and conversion to natural gas usage in the commonwealth; provided, however, that the programs do not unreasonably burden existing natural gas customers.”
New England Governors’ Energy Infrastructure Initiative

Photo: Office of the Premier of Quebec
Electric and Natural Gas

Need to increase electric transmission capacity from clean energy sources into region – *by 1,200 to 3,600 MW*

Need to increase pipeline capacity into region – *by 1 Bcf or more*
Northeast Spot Prices: New heights in winter

Northeastern and Mid-Atlantic prices, winter 2013-2014

Source: Natural Gas Intelligence

Chart: U.S. Energy Information Administration (EIA), 4-14
New England’s Changing Electric Generation Fuel Mix

2013: Gas was 37% of total generation, with Gas/Oil another 9%
Gas for Power Gen
Nationally

U.S. power plant capacity additions in 2013
megawatts (MW)

- Natural gas: 6,861
- Solar: 2,959
- Coal: 1,507
- Wind: 1,032
- Biomass: 549
- Hydroelectric: 384
- Other: 214

Chart: U.S. EIA, 4-14
Proposed Power Plants by Fuel, Northeast

**Generator Proposals in the ISO New England Queue**
Percentage, 2014

- **Natural Gas, 63%**
- **Wind, 30%**
- **Other, 7%**

Source: ISO-NE

**New York ISO System, 2014**
Proposed Power Projects by Fuel Type
Megawatts

- **Natural Gas**: 70%
- **Wind**: 63%
- **Dual Fuel**: 74%
- **Other**: 7%

Source: NY ISO

**New Jersey, 2013**
Queued Capacity by Fuel Type, Percentage (In-State Only)
Approx. 9,351 MW

- **Natural Gas**: 74%
- **Wind**: 11%
- **Solar**: 14%
- **Other**: 0.5%

Source: PJM
LDCs Can & Are Signing Up – but Power Gens?

**Spectra’s AIM Project**

**Shippers:**
- UIL Holdings
- Northeast Utilities
- National Grid
- NiSource
- City of Middleborough, MA
- City of Norwich, CT

**TGP’s Connecticut Expansion Project**

**Shippers:**
- UIL Holdings
- Northeast Utilities

**TGP’s Northeast Energy Direct Project**

**Initial Shippers:**
- 9 LDCs, @ 500,000 Dth/d
Governors’ energy advisory committee, called NESCOE, has been soliciting ideas in recent months on ways to structure new tariffs at ISO-NE to support new electric transmission and new gas pipelines.

Gas generators in region mostly rely on interruptible or secondary pipeline capacity. Pipelines essentially full all winter – and spot price spikes are becoming more extreme. Level of retirements of non-gas units in region accelerating. States are falling short on renewable portfolio standard projections.

States’ intent is “to allocate costs to regional electric customers in New England in a manner generally reflecting the broad, diverse regional electric power system benefits associated with relieving natural gas constraints that have placed the power system at risk.”
Possible Structure

- ISO-NE would file proposed gas tariff with FERC – perhaps as soon as this fall.

- New service will be called “Regional Gas-Electric Reliability Service (RGERS).”

- ISO-NE will enter into a billing and collection agreement with the entity or entities that act as counterparties with the pipeline. Costs proposed to be allocated within a state using network load at the time of the monthly peak.

- National Grid, Northeast Utilities and United Illuminating proposed in July that their electric distribution companies could serve as counter-parties to pipelines.
Next Steps

• Original schedule:
  • Submit to NEPOOL Transmission Committee for vote, 8/29
  • Submit to NEPOOL Participants Committee for vote, 9/12
  • ISO-NE to file proposed tariff with FERC, September

• On August 1, NESCOE informed NEPOOL that it would be extending its timeline for submitting a formal proposal for the proposed tariff related to pipeline initiative.

• “A brief extension of the process provides Massachusetts state officials time to evaluate options associated with moving forward with other states on regional solutions to the regional energy infrastructure challenges that have significant reliability and economic competitive implications for New England consumers.”
Also on the Horizon...

- U.S. EPA proposed GHG reg on power plants.
- New 640 MW gas plant approved for Salem, MA, to replace older coal unit. Developer, Footprint Power, agree to settlement restrictions to close plant by 2050 – to meet state’s GHG strictures.
- Carbon tax study by MA DOER.
- Methane and system leaks.
- Growth in off-system deliveries (CNG).
The Way Forward?